

CEDAR VALLEY MENTAL HEALTH CENTER

INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS
SCHEDULE OF FINDINGS

June 30, 2004

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CEDAR VALLEY MENTAL HEALTH CENTER

BOARD OF DIRECTORS

As of June 30, 2004

	Term Expires*	Name and Address
Bremer County	2006	Jean Jacobson, Sumner IA
	2004	Keith Collins, Waverly IA
	2004	Randi Ellefson, Waverly IA
	2005	Jayne Hall, Waverly IA
Butler County	2006	Kathleen Eberle, Allison IA
	2006	Larry Backer, Clarksville IA
	2004	Ann Graven, Greene IA
	2005	Fred Maifeld, Clarksville IA
Chickasaw County	2004	Eleanor Martin, New Hampton IA
	2005	Wendell Hurst, New Hampton IA
	2005	Arnie Boge, Ionia IA
	2006	Francie Crawford, Fredericksburg IA

* Terms expire as of the annual meeting of each respective year.

OFFICERS:

President	Jayne Hall
Vice-President	Keith Collins
Secretary	Randi Ellefson
Treasurer	Fred Maifeld

STAFF:

Executive Director	Carla Janssen, LMHC
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Keith Oltrogge CPA
201 East Main Street
Denver IA 50622

Independent Auditor's Report

To the Board of Directors of
Cedar Valley Mental Health Center

I have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of Cedar Valley Mental Health Center, as of and for the year ended June 30, 2004. These financial statements are the responsibility of the Center's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cedar Valley Mental Health Center at June 30, 2004 and the results of its operations, changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated August 4, 2004 on my consideration of Cedar Valley Mental Health Center's internal control over financial reporting and my tests of its compliance with certain provision of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.



Keith Oltrogge
Certified Public Accountant

August 4, 2004

CEDAR VALLEY MENTAL HEALTH CENTER

STATEMENTS OF FINANCIAL POSITION

At June 30, 2004

With Comparative Totals for June 30, 2003

ASSETS	Current Fund Unrestricted	Land Building & Equipment Fund	2004 Total (Memorandum Only)	2003 Total (Memorandum Only)
Cash – operating	\$ 255,142	\$ ---	\$ 255,142	\$ 287,665
Accounts receivable, patient services (less allowance for doubtful accounts of \$112,000 and \$112,000 at June 30, 2004 and 2003, respectively	89,359	---	89,359	74,927
Grants receivable	20,243	---	20,243	8,283
Property and Equipment: (Note 2)				
Land and buildings	---	716,267	716,267	716,267
Furniture and fixtures	---	219,835	219,835	219,835
Accumulated depreciation	---	-285,035	-285,035	-268,892
Net construction interest	---	1,309	1,309	1,351
Other assets	7,858	---	7,858	4,239
TOTAL ASSETS	\$ 372,602	\$ 652,376	\$1,024,978	\$1,043,675
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	\$ 6,517	\$ ---	\$ 6,517	\$ 6,158
Accrued payroll	17,065	---	17,065	14,073
Accrued interest	813	---	813	813
Accrued compensated absences	24,150	---	24,150	22,767
Mortgage payable	---	74,664	74,664	173,307
Total Liabilities	\$ 48,545	\$ 74,664	\$ 123,209	\$ 217,118
Net Assets - unrestricted	\$ 324,057	\$ 577,712	\$ 901,769	\$ 826,557
Net Assets - restricted	---	---	---	---
Total Net Assets	\$ 324,057	\$ 577,712	\$ 901,769	\$ 826,557
TOTAL LIABILITIES AND NET ASSETS	\$ 372,602	\$ 652,376	\$1,024,978	\$1,043,675

See notes to financial statements.

CEDAR VALLEY MENTAL HEALTH CENTER

STATEMENTS OF ACTIVITIES
At June 30, 2004
With Comparative Totals for June 30, 2003

	Current Fund Unrestricted	Land Building & Equipment Fund	2004 Total (Memorandum Only)	2003 Total (Memorandum Only)
PUBLIC SUPPORT AND REVENUES:				
Public Support:				
Butler County	\$ 70,891	\$ ---	\$ 70,891	\$ 73,343
Chickasaw County	56,441	---	56,441	52,305
Community Investment Grant and Mental Health Services Block Grant	31,233	---	31,233	29,189
Farm Grant	1,658	---	1,658	7,086
United Way support	12,875	---	12,875	12,000
Contributions	7,572	---	7,572	76
	\$ 180,670	\$ ---	\$ 180,670	\$ 173,999
Revenues:				
Patient fees, services and Title XIX	\$ 493,793	\$ ---	\$ 493,793	\$ 438,873
Investment income	5,405	---	5,405	8,173
Miscellaneous income	---	---	---	37
Rental income	7,094	---	7,094	10,900
	\$506,292	\$ ---	\$ 506,292	\$ 457,983
TOTAL PUBLIC SUPPORT AND REVENUES	\$ 686,962	\$ ---	\$ 686,962	\$ 631,982
EXPENSES:				
Program Services:				
Mental health center programs	\$ 439,260	\$ ---	\$ 439,260	\$ 405,787
Support services	156,305	16,185	172,490	190,772
TOTAL EXPENSES	\$ 595,565	\$ 16,185	\$ 611,750	\$ 596,559
Change in net assets	\$ 91,397	-\$ 16,185	\$ 75,212	\$ 35,423
Other changes in net assets, property and equipment acquisitions, and debt payments	-98,643	98,643	---	---
Net assets beginning of year	331,303	495,254	826,557	791,134
NET ASSETS END OF YEAR	\$ 324,057	\$ 577,712	\$ 901,769	\$ 826,557

See notes to financial statements.

CEDAR VALLEY MENTAL HEALTH CENTER

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2004

With Comparative Totals for June 30, 2003

	Program Services Mental Health Center Programs	Support Services, Management & General	2004 Total	2003 Total
Salaries	\$ 280,400	\$ 65,156	\$ 345,556	\$ 323,402
Contract services	82,379	25,076	107,455	125,459
Payroll taxes	17,659	8,443	26,102	24,288
Group health & disability insurance	27,003	4,615	31,618	26,736
Staff development	1,541	717	2,258	2,296
Dues, subscriptions & licenses	771	1,106	1,877	3,561
Repair & maintenance	---	4,862	4,862	3,827
Insurance	11,727	3,443	15,170	8,957
Postage	500	2,434	2,934	3,850
Professional fees	1,504	2,210	3,714	5,239
Travel	5,102	1,760	6,862	7,440
Telephone	---	7,166	7,166	7,121
Utilities	---	6,866	6,866	5,961
Advertising	---	4,699	4,699	4,203
Supplies & office supplies	1,645	4,386	6,031	6,259
Office rent	2,263	---	2,263	2,275
Equipment rent	---	1,224	1,224	1,453
Miscellaneous	6,766	1,256	8,022	2,137
Interest expense	---	10,886	10,886	14,240
Total Expenses Before Depreciation	\$ 439,260	\$ 156,305	\$ 595,565	\$ 578,704
Other Expenses:				
Depreciation & amortization	---	16,185	16,185	17,855
TOTAL EXPENSES	\$ 439,260	\$ 172,490	\$ 611,750	\$ 596,559

See notes to financial statements.

CEDAR VALLEY MENTAL HEALTH CENTER

STATEMENTS OF CASH FLOWS

June 30, 2004

With Comparative Totals for June 30, 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 75,212	\$ 35,423
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	16,143	17,813
Amortization	42	42
(Increase) Decrease in Assets:		
Accounts receivable	-14,432	8,129
Grants receivable	-11,960	4,628
Other assets	-3,619	703
Increase (Decrease) in Liabilities:		
Accounts payable	359	4,952
Accrued payroll	2,992	2,889
Accrued compensated absences	1,383	3,024
Accrued interest	---	-612
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	\$ 6,120	\$ 76,991
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	\$ ---	-\$ 4,796
NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	\$ ---	-\$ 4,795
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of debt	-\$ 93,643	-\$ 76,579
NET CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES	-\$ 93,643	-\$ 76,579
Net Increase (Decrease) in Cash for the Year Ended June 30	-\$ 32,523	-\$ 4,384
Cash and Cash Equivalents at July 1	287,665	292,049
CASH AND CASH EQUIVALENTS AT JUNE 30, 2004 & 2003	\$ 255,142	\$ 287,665
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	\$ 10,886	\$ 14,852
Cash paid for income tax	\$ ---	\$ ---

See notes to financial statements.

CEDAR VALLEY MENTAL HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entities

The Cedar Valley Mental Health Center is a non-profit corporation established to provide a comprehensive community mental health program for the diagnosis and treatment of psychiatric and psychological disorders and to promote the prevention of mental illness. Services are provided to residents of Bremer, Butler and Chickasaw Counties.

The Center is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provide tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes.

B. Fund Accounting

The accounts of the Center are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, net assets, revenues and expenses. The various funds are grouped as follows in the financial statements:

Current Funds:

Unrestricted – The current unrestricted fund accounts for all resources over which the Center has discretionary control to use in carrying on the operations of the organization in accordance with the limitation of its charter and bylaws except for unrestricted amounts invested in land, buildings and equipment that may be accounted for in a separate fund.

The Board may designate portions of the current unrestricted fund for specific purposes, projects or investment as an aid in the planning of expenses and the conservation of assets. The Center maintains separate accounts for such designations within the current fund and segregates the designated and undesignated portions of the fund within the net asset section of the balance sheet.

Land, Building & Equipment Fund – The land, building and equipment fund is used to accumulate the net investment in fixed assets and to account for the unexpended resources contributed specifically for the purpose of acquiring or replacing land, buildings or equipment for use in the operations of the organization.

CEDAR VALLEY MENTAL HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

Purchase of fixed assets providing future benefits are directly charged against the current unrestricted fund balance and capitalized in the land, building and equipment fund.

D. Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

E. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheets:

Cash and Cash Equivalents – The Center considers savings accounts and all other highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Receivables – Receivables are shown at the amount expected to be collected after determining the allowance for doubtful accounts based on an aging of all the individual patient balances.

CEDAR VALLEY MENTAL HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment – Property and equipment is stated at cost. Depreciation is computed by the straight-line method over the estimated useful lives of 5-60 years.

Interest of \$1,673, which was capitalized during construction of the building, is being amortized over the estimated life of 39.5 years.

Compensated Absences – Center employees accumulate a limited amount of earned but unused vacation and sick leave benefits. Amounts representing the cost of compensated absences are recorded as liabilities and have been computed based on current rates of pay in effect at June 30, 2004.

Net Patient Service Revenue – Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

F. Total Columns

The total columns on the statements of financial position and the statements of activities are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles.

G. Estimates

The presentation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CEDAR VALLEY MENTAL HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 2 – PROPERTY AND EQUIPMENT

A summary of changes in property and equipment is as follows:

	Balance Beginning Of Year	Additions	Deletions	Balance End Of Year
Land & buildings	\$ 716,267	\$ ---	\$ ---	\$ 716,267
Furniture & fixtures	219,835	---	---	219,835
Total	\$ 936,102	\$ ---	\$ ---	\$ 936,102

NOTE 3 – OPERATING LEASES

Satellite office locations and some equipment are leased on a month-to-month basis.

NOTE 4 – RELATED PARTIES AND ECONOMIC DEPENDENCY

The Cedar Valley Mental Health Center, during the year ended June 30, 2004, received \$70,891 from Butler County and \$56,441 from Chickasaw County for operating assistance. One member of the Chickasaw and Butler County Boards of Supervisors also serves as a voting member on the Board of Directors of the Cedar Valley Mental Health Center.

NOTE 5 – CASH AND INVESTMENTS

The Center's deposits at June 30, 2004 were not entirely covered by Federal depository insurance. The Center is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts.

NOTE 6 – CONCENTRATIONS OF CREDIT RISK

The Center maintains its cash in bank deposit accounts at two financial institutions, which, at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts. The Center believes it is not exposed to any significant credit risk on cash. At June 30, 2004, the Center's uninsured cash balance was approximately \$87,797.

CEDAR VALLEY MENTAL HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 7 – LONG-TERM DEBT

Lender	6-30-04	Current Portion	Interest Rate	Due Date	Security
	Loan Balance				
First National Bank- Waverly	<u>\$74,664</u>	<u>\$16,087</u>	6.0%	8-14-28	Real Estate-Office Building
Lender	6-30-03	Current Portion	Interest Rate	Due Date	Security
	Loan Balance				
First National Bank- Waverly	<u>\$173,307</u>	<u>\$15,025</u>	6.85%	8-14-28	Real Estate-Office Building

The following is a schedule of future maturities of the above long-term debt as of June 30, 2004:

Year Ending	Amount
June 30, 2005	\$16,087
June 30, 2006	17,224
June 30, 2007	18,442
June 30, 2008	19,746
June 30, 2009	3,165
	<u>\$74,664</u>

NOTE 8 – CENTER RISK MANAGEMENT

Cedar Valley Mental Health Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

NOTE 9 – IN-KIND DONATIONS

Directors and officers of the Cedar Valley Mental Health Center provide various in-kind volunteer services for legal, financial and administrative assistance. The value of these services is not reflected in these financial statements.

Keith Oltrogge CPA
201 East Main Street
Denver IA 50622

Independent Auditor's Report on Compliance
And on Internal Control over Financial Reporting

To the Board of Directors
Cedar Valley Mental Health Center

I have audited the financial statements of the Cedar Valley Mental Health Center as of and for the year ended June 30, 2004, and have issued my report thereon dated August 4, 2004. I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Cedar Valley Mental Health Center's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Center's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Center. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. Comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Cedar Valley Mental Health Center's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted no matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Cedar Valley Mental Health Center's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

This report is intended for the information of Cedar Valley Mental Health Center. However, this report is a matter of public record and its distribution is not limited.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Cedar Valley Mental Health Center during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

A rectangular box containing a handwritten signature in black ink. The signature is cursive and appears to read "Keith Oltrogge".

Keith Oltrogge
Certified Public Accountant

August 4, 2004

CEDAR VALLEY MENTAL HEALTH CENTER

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

(None)